



STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
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JAN 9 2003

COMPTROLLER'S MEMORANDUM NO. 2003-03

TO: Heads of Departments
ATTN: Fiscal Offices
SUBJECT: Federal Per Diem Rates (CONUS)

In Revenue Procedure 2002-63, the Internal Revenue Service has superceded the federal per diem rates established by Revenue Procedure 2001-47 for travel within the continental United States (CONUS). These standard rates affect the computation of the taxable portion of per diem allowances paid to State of Hawaii officers and employees. The information in this memorandum therefore needs to be forwarded to the offices in your department responsible for the computation and reporting of the taxable portion of per diem allowances for payroll tax withholding purposes.

The following rates are to be used for computing, under the high-low substantiation method, the taxable portion of per diem for CONUS travel expenses paid or incurred on or after January 1, 2003.

	<u>High-Cost Locality</u>	<u>Low-Cost Locality</u>
Lodging	\$159	\$ 90
Meals and Incidental Expenses	<u>45</u>	<u>35</u>
Total federal rates	<u>\$204</u>	<u>\$125</u>

Revenue Procedure 2002-63 has also made some changes in the locations identified in the high-cost category. Attached is an updated listing of the high-cost localities; all other CONUS localities are considered low-cost localities under the high-low substantiation method.


RUSS K. SAITO
State Comptroller

in section 4.03 of this revenue procedure. See section 6.05(4) of this revenue procedure for rules related to the application of the limitation found in § 274(n) to amounts determined under this section 4.05.

SECTION 5. HIGH-LOW SUBSTANTIATION METHOD

.01 *General rule.* If a payor pays a *per diem* allowance in lieu of reimbursing actual expenses for lodging, meal, and incidental expenses incurred or to be incurred by an employee for travel away from home and the payor uses the high-low substantiation method described in this section 5 for travel within CONUS, the amount of the expenses that is deemed substantiated for each calendar day is equal to the lesser of the *per diem* allowance for such day or the

amount computed at the rate set forth in section 5.02 of this revenue procedure for the locality of travel for such day (or partial day, see section 6.04 of this revenue procedure). Except as provided in section 5.06 of this revenue procedure, this high-low substantiation method may be used in lieu of the *per diem* substantiation method provided in section 4.01 of this revenue procedure, but may not be used in lieu of the meals only substantiation method provided in section 4.02 or 4.03 of this revenue procedure.

.02 *Specific high-low rates.* Except as provided in section 5.06 of this revenue procedure, the *per diem* rate set forth in this section 5.02 is \$204 for travel to any "high-cost locality" specified in section 5.03 of this revenue procedure, or \$125 for travel

to any other locality within CONUS. Whichever *per diem* rate applies, it is applied as if it were the federal *per diem* rate for the locality of travel. For purposes of applying the high-low substantiation method and the § 274(n) limitation on meal expenses (see section 6.05 of this revenue procedure), the federal M&IE rate shall be treated as \$45 for a high-cost locality and \$35 for any other locality within CONUS.

.03 *High-cost localities.* The following localities have a federal *per diem* rate of \$165 or more, and are high-cost localities for all of the calendar year or the portion of the calendar year specified in parenthesis under the key city name, except as provided in section 5.06 of this revenue procedure:

<i>Key City</i>	<i>County or other defined location</i>
California	
Napa (April 1–November 15)	Napa
Palm Springs (January 1–May 31)	Riverside
San Francisco	San Francisco
San Mateo/Redwood City	San Mateo
Santa Monica (June 1–September 30)	City limits of Santa Monica
Sunnyvale/Palo Alto/San Jose	Santa Clara
Tahoe City	Placer
Colorado	
Aspen (January 1–April 30)	Pitkin
Silverthorne/Keystone	Summit
Telluride (December 20–September 30)	San Miguel
Vail (December 1–March 31)	Eagle
District of Columbia	
Washington, D.C.	Washington, D.C. (also the cities of Alexandria, Fairfax, and Falls Church, and the counties of Arlington, Fairfax, and Loudoun, in Virginia; and the counties of Montgomery and Prince George's in Maryland)
Florida	
Key West (January 1–April 30)	Monroe

<i>Key City</i>	<i>County or other defined location</i>
Idaho Sun Valley	City limits of Sun Valley
Illinois Chicago	Cook and Lake
Louisiana New Orleans/St. Bernard (January 1–May 31)	Orleans, St. Bernard Plaquemine, and Jefferson Par- ishes
Maine Kennebunk/Kittery/Sanford (June 15–October 31)	York
Maryland (For the counties of Montgomery and Prince George's, see District of Columbia) Baltimore Ocean City (June 15–October 31)	Baltimore Worcester
Massachusetts Boston Cambridge Martha's Vineyard (June 1–October 15) Nantucket (June 15–October 15)	Suffolk Middlesex (except Lowell) Dukes Nantucket
Michigan Mackinac Island Traverse City	Mackinac Grand Traverse
Montana Big Sky	Gallatin (except West Yellowstone)
Nevada Stateline	Douglas
New Jersey Atlantic City (June 1–November 30) Cape May (June 1–November 30) Edison Newark Ocean City (June 15–September 15) Piscataway/Belle Mead	Atlantic Cape May (except Ocean City) Middlesex (except Piscataway) Essex, Bergen, Hudson and Passaic City limits of Ocean City Somerset; and the city limits of Piscataway

<i>Key City</i>	<i>County or other defined location</i>
Princeton/Trenton	Mercer
New York	
The Bronx/Brooklyn/Queens	The boroughs of The Bronx, Brooklyn, and Queens
Manhattan	The borough of Manhattan
Nassau County/Great Neck	Nassau
Staten Island	Richmond
Suffolk County	Suffolk
White Plains	City limits of White Plains
Pennsylvania	
Hershey	City limits of Hershey
(June 1–September 15)	
King of Prussia/Ft. Washington/Bala Cynwyd	Montgomery
(April 1–November 30)	
Philadelphia	Philadelphia
Utah	
Ogden/Layton/Davis County	Weber and Davis
(January 15–February 28)	
Park City	Summit
(December 15–March 31)	
Provo	Utah
(January 15–February 28)	
Salt lake City	Salt Lake, Dugway Proving Ground, and Tooele Army Depot
(January 15–February 28)	
Virginia	
(For the cities of Alexandria, Fairfax, and Falls Church, and the counties of Arlington, Fairfax, and Loudoun, see District of Columbia)	
Wintergreen	Nelson
Washington	
Seattle	King

.04 *Changes in high-cost localities.* The list of high-cost localities in section 5.03 of this revenue procedure differs from the list of high-cost localities in section 5.03 of Rev. Proc. 2001–47.

(1) The following localities (listed by key cities) have been added to the list of high-cost localities: Santa Monica, California; Baltimore, Maryland; Staten Island, New York; King of Prussia/Ft. Washington/Bala Cynwyd, Pennsylvania; Philadelphia, Pennsylvania; and Seattle, Washington.

(2) The portion of the year for which the following is a high-cost locality (listed by key city) has been changed: Ogden/Layton/Davis County, Utah.

(3) The following locality has been removed from the list of high-cost localities: Palm Beach, Florida.

.05 *Specific limitation.*

(1) Except as provided in section 5.05(2) of this revenue procedure, a payor that uses the high-low substantiation method with respect to an employee must use that method for all amounts paid to that employee for travel away from home within CONUS during the calendar year. See section 5.06 of this revenue procedure for transition rules.

(2) With respect to an employee described in section 5.05(1) of this revenue procedure, the payor may reimburse actual expenses or use the meals only *per*

diem method described in section 4.02 of this revenue procedure for any travel away from home, and may use the *per diem* substantiation method described in section 4.01 of this revenue procedure for any OCONUS travel away from home.

.06 *Transition rules.* A payor who used the substantiation method of section 4.01 of Rev. Proc. 2001–47 for an employee during the first 9 months of calendar year 2002 may not use the High-Low Substantiation Method in section 5 of this revenue procedure for that employee until January 1, 2003. A payor who used the High-Low Substantiation Method of section 5 of Rev. Proc. 2001–47 for an employee during the first 9 months of calendar year 2002 must